



THE SUNDAY ECONOMY

Overcoming Bankruptcy & opportunities for youth

President announced plans to provide job opportunities for unemployed youth once the country overcomes bankruptcy this year. Next year, a program will introduce modern agriculture to villages in partnership with private companies to boost the export economy. He addressed the youth's concerns and highlighted the need to modernize agriculture and revitalize the export economy.

The government aims to utilize unused land, enhance tourism, and develop renewable energy, including significant solar and wind power projects. Agreements with India's Adani Company and plans for investment zones were also discussed. Additionally, efforts to address drinking water shortages and provide interest-free loans for self-employment were announced, emphasizing the government's commitment to economic recovery and growth.



Understanding Economic Transformation Bill

The Government has gazetted the Economic Transformation Bill, which sets ambitious targets for Sri Lanka's economy over the next two and a half decades. Gazetted by President Ranil Wickremesinghe as Minister of Finance, Economic Stabilisation, and National Policies, the Bill received Cabinet approval earlier this month for presentation to Parliament. It aims to establish a National Policy on Economic Transformation and various institutions, including the Economic Commission, Investment Zones Sri Lanka, the Office for International Trade, the National Productivity Commission, and the Sri Lanka Institute of Economics and International Trade.



Weekly CSE Summary

The benchmark ASPI rose by 1%, and the active S&P SL20 increased by 1.6% yesterday, closing the Vesak holiday-shortened week with gains of 0.2% and 0.8%, respectively. Turnover reached Rs. 1.46 billion with 109 million shares traded, averaging Rs. 1.28 billion for the week.

Market gains were driven by HNBN (+1.8%), NTBN (+2.7%), PABC (+1.3%), ACL (+1.6%), and LOFC (+4.7%). Major contributors included COMB (+15 points), HNB (+11 points), and LOLC (+9 points). 135 gainers and 38 decliners. Key turnover contributors were HNBN, JKH, and NTBN. Off-board transactions contributed Rs. 243 million. Foreign investors recorded a net outflow of Rs. 56.6 million. High net worth and institutional investors were active in HNBN, JKH, and Ambeon Capital.

Banking and Capital Goods sectors led turnover, with significant interest in COMB, HNB, and NDB. The ASPI closed the week at 12,349, up 132 points (1.1%), signaling potential recovery from recent declines, bolstered by lower rates in the treasury bill auction and the upcoming CBSL policy meeting.

ASPI

12,348.84 + 131.87

S&P SL 20

3,666.89 + 58.18

The Bill will replace the Board of Investment (BOI) of Sri Lanka Law, No. 4 of 1978, with the new Economic Commission of Sri Lanka and includes provisions for restructuring government debt. Key objectives include maintaining the Public Debt to GDP ratio below 95% by 2032, keeping the central government Annual Gross Financing needs to GDP ratio below 13% by 2032, and reducing the central government Annual Debt Service in foreign currency to GDP ratio below 4.5% by 2027.

The Bill envisions transforming Sri Lanka into a highly competitive, export-oriented, digital economy, achieving Net Zero by 2050, and increasing global economic integration. It also aims for stable macroeconomic balances, sustainable debt, modernized agriculture to enhance productivity and exports, and inclusive economic growth. Targets include annual GDP growth of 5% by 2027 and higher thereafter, maintaining unemployment below 5% from 2025, and increasing female labor force participation to 40% by 2030 and 50% by 2040.

The Economic Commission will focus on creating a favorable investment climate, promoting sustainable foreign direct investment, and boosting exports and employment. It will evaluate and manage Investment Zones, enhance the ease of doing business, and identify strategic investments that bring significant foreign exchange, export growth, and large-scale employment, benefiting overall economic development.

This Week In History

May 26, 1972 - The Soviet Union and United States sign the Anti-Ballistic Missile Treaty, providing that each country could have no more than two ABM deployment areas and could not establish a nationwide system of ABM defense.

May 27th 1703 ; St Petersburg was Founded this day in 1703 by Peter the Great, St. Petersburg has played a vital role in Russian history and is especially known as the scene of the 1917 revolutions and as a fiercely defended city during World War II.

May 28th 1804; Napoleon proclaimed the establishment of the French Empire.

May 29th 1953 : Mount Everest summit reached by Edmund Hillary and Tenzing Norgay Following numerous failed attempts by others, Edmund Hillary and Tenzing Norgay became the first climbers to surmount Mount Everest, the highest mountain in the world (29,032 feet [8,849 metres]), on this day in 1953.

May 29th 1453 : Constantinople and the Byzantine Empire fell to the Ottomans.

May 30th 1381 :An unpopular poll tax helped spark the Peasants' Revolt, the first great popular rebellion in English history.

Financial Literacy Roadmap 2024-2028

The Central Bank of Sri Lanka (CBSL) plans to use existing government office networks to deliver financial literacy content to youth and women as part of its "Financial Literacy Roadmap 2024–2028." This initiative, under the National Financial Inclusion Strategy, aims to enhance financial literacy through effective coordination and harmonized content.

Before implementation, CBSL will analyze and modify current networks to optimize content delivery. The roadmap emphasizes collaboration among stakeholders, including CBSL regional offices, the Ministry of Health's community health network, educational institutes, and Regulated Financial Service Providers' SMS services. These networks will be adapted to serve as financial literacy channels. High-level support from national stakeholders is crucial for the roadmap's success.

Liquor licences based on population density

State Minister of Finance Ranjith Siyambalapitiya announced that new liquor licenses would be issued based on population density and tourist influx. Addressing media in Karawanella, he dismissed allegations that the Government plans to transfer 55 Sathosa liquor licenses to Arjun Aloysius's companies, clarifying that no such requests exist and leasing these licenses is impossible.

Siyambalapitiya highlighted that the Government's liquor taxation is more systematic than ever, with alcohol prices rising by 108% in 2023 due to tax hikes. He affirmed that new licenses would be granted only after consultations with the Regional Secretary and Police and stressed that licenses won't be issued where there are valid objections.

Recent fee increases aim to curb illegal liquor proliferation and discourage legal alcohol consumption. The annual fees for all liquor licenses have increased tenfold, reflecting the Government's stance against rising legal alcohol consumption.

World Column

NYSE weekly summary

US equity markets, at all-time highs, rose for four consecutive weeks due to declining Treasury yields, moderating inflation, strong corporate earnings, AI optimism, and low volatility. Early in the week, markets hovered unchanged with subdued trading.

Technology, especially semiconductors, gained after Analog Devices' strong results and Nvidia's earnings beat. Nvidia's 10-for-1 stock split and soaring data center revenues boosted its market cap significantly.

However, markets dropped after S&P Global Flash PMIs exceeded expectations, raising Treasury yields. Despite a subsequent recovery, broader indices tested their 50-day averages. Economic data sensitivity and geopolitical concerns persist, affecting market sentiment and positioning.

Indicies

DOW 39,070 (+4),
S&P 500 5,305 (+37),
Russell 2000 2,070 (+21),
NYSE FANG+ 10,572 (+158),
ICE Brent Crude \$82.14/barrel (+\$0.78),
Gold \$2,336/oz (-\$2),
Bitcoin ~68.9k (+965)

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